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Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11
AID-05 COME-00 EB-08 FRB-03 TRSE-00 XMB-02
OPIC-03 LAB-04 SIL-01 OMB-01 AGRE-00 DOE-15 SOE-02
/112 W
----------095848 071414Z /75
R 071230Z JUN 78
FM AMCONSUL SAO PAULO
TO SECSTATE WASHDC 8568
INFO AMEMBASSY BRASILIA
AMCONSUL RIO DE JANEIRO

C O N F I D E N T I A L SECTION 1 OF 2 SAO PAULO 1636

E.O. 11652: GDS
TAGS: ELAB, BR
SUBJ: OUTCOME AND IMPLICATIONS OF SAO PAULO STRIKES

REF: SAO PAULO 1540

1. SUMMARY: THE AGREEMENT SIGNED MAY 31 BETWEEN THE SAO BERNARDO METALWORKERS UNION AND THE AUTOMOBILE INDUSTRY MANUFACTURERS SYNDICATE WAS THE FIRST COLLECTIVE BARGAINING AGREEMENT WORKED OUT SINCE 1964. UNDER IT, ABOUT 70,000 AUTOWORKERS WILL RECEIVE AN 11 PERCENT INCREASE AND A 13.5 PERCENT ADVANCE ON THE NEXT INCREASE IN SEVERAL INSTALLMENTS. THUS, AUTOWORKERS WILL RECEIVE AN INCREASE IN THEIR PAYCHECKS EVERY TWO MONTHS UNTIL THE NEXT NEGOTIATIONS TAKE PLACE IN APRIL. BOTH WORKERS AND UNIONS ASSUME THAT FUTURE INCREASES WILL BE DETERMINED BY A NEGOTIATED CONTRACT, WITH GOVERNMENT DECREED INCREASES MERELY INDICATING GUIDELINES FOR DIRECT NEGOTIATIONS. STRIKE ACTIONS AND AGREEMENTS ARE SPREADING TO THE AUTOPARTS INDUSTRY, THE CAPITAL GOODS INDUSTRY, AND SOME FOOD PRODUCERS. THERE ARE RUMBLINGS OF STRIKE ACTIONS IN THE PETROLEUM, CHEMICALS, STEEL
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AND SHIPBUILDING INDUSTRIES. ALTHOUGH REPORTING IS NOT PERFECT ON THE TOTAL NUMBER OF WORKERS WHO HAVE RECEIVED RAISES SO FAR, MOST ESTIMATES PLACE THE TOTAL FROM 100,000 TO 150,000 WORKERS. INDUSTRY AND STATE LABOR SECRETARIAT SOURCES BELIEVE THAT THE STRIKE ACTION IN THE GREATER SAO PAULO AREA WILL, BY THE END OF JULY, RESULT IN INCREASES FOR ABOUT 400,000

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WORKERS. ATTENTION HAS SHIFTED TO THE EFFECT OF THE
WAGE INCREASES ON THE GOVERNMENT'S ANTI-INFLATION PROGRAM.
DATA IS STILL SCANTY, BUT ECONOMISTS AND EMPLOYERS'
ORGANIZATIONS ESTIMATE THAT RAISES WILL ADD ONE OR
POSSIBLY TWO PERCENTAGE POINTS TO INFLATION RATE.
SEVERAL ECONOMISTS HAVE ALSO POINTED TO WORKERS'
DE FACTO REDISTRIBUTION OF INCOME AND THE STIMULUS TO
CONSUMER SPENDING IN SAO PAULO WHICH COULD RESULT
FROM THE WAGE INCREASES. END SUMMARY.

2. THE SAO BERNARDO METALWORKERS UNION AND THE AUTOMO-
BILE INDUSTRY MANUFACTURERS SYNDICATE SIGNED A WAGE
AGREEMENT MAY 31 THAT PUT AN END TO THE STRIKES IN THE
AUTOMOBILE FACTORIES. IT PROVIDES FOR 5.5 PERCENT IN-
CREASES IN JUNE AND OCTOBER ON THE GOVERNMENT DECREED
INCREASE (DISSIDIO) LAST APRIL OF 39 PERCENT. IT ALSO
SETS 4.5 PERCENT ADVANCES -- AUGUST, DECEMBER AND
FEBRUARY -- ON THE DISSIDIO OR NEGOTIATED INCREASE
OF NEXT APRIL. THUS, AUTO FIRMS AGREED TO PAY 11 PER-
CENT INCREASED WAGES AND 13.5 PERCENT IN ADVANCES ON
THE NEXT INCREASE. ABOUT 70,000 HOURLY WAGE EARNERS ARE
COVERED BY THE AGREEMENT. THERE ARE ADVANTAGES FOR BOTH
SIDES IN THE AGREEMENT. MOST IMPORTANT IS THE
RECOGNITION OF COLLECTIVE BARGAINING. THE EXPECTATION
AMONG WORKERS AND EMPLOYERS IS THAT NEGOTIATED AGREEMENTS
WILL BE THE NORM, WITH THE GOVERNMENT DECREED INCREASES
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(DISSIDIO) MERELY SERVING AS A GUIDELINE. AUTO FIRMS
FOUND IT TO THEIR ADVANTAGE TO NEGOZIATE AS A GROUP
RATHER THAN INCREASE COMPETITION FOR LABOR. THE AGREEMENT
WAS A TREMENDOUS BOOST IN THE SAO BERNARDO METALWORKERS
UNION'S PRESTIGE AND THAT OF ITS PRESIDENT,LUIS IGNACIO
DA SILVA, "LULA", WHO SEES HIS UNION AS THE EMBRYO OF A
BRAZILIAN AUTOWORKERS UNION. AUTO FIRMS ARE REPORTEDLY
STUDYING THE EXTENSION OF A SOMEWHAT LESSER INCREASE TO
SALARIED WORKERS. ALTHOUGH REPORTING IS NOT PERFECT ON
THE TOTAL NUMBERS OF WORKERS WHO HAVE RECEIVED RAISES
SOFARIN THE AUTO AND OTHER INDUSTRIES COVERED BY
THE METALWORKERS UNION, MOST ESTIMATES PLACE THE TOTAL
FROM 100,000 TO 150,000 WORKERS.

3. STRIKE ACTIONS AND/OR NEGOTIATIONS ARE SPREADING
RAPIDLY IN THE GREATER SAO PAULO AREA. MEETINGS ARE
SCHEDULED THIS WEEK BETWEEN THE SAO BERNARDO UNION AND
THE EMPLOYERS SYNDICATES IN THE AUTOPARTS AND INDUSTRIAL
MACHINES INDUSTRIES. EINAR KOK, PRESIDENT OF THE
INDUSTRIAL MACHINE PRODUCERS SYNDICATE (ABIMAQ), TOLD
CONGENOFF THAT NEGOTIATIONS WOULD BE MORE DIFFICULT
IN THESE INDUSTRIES BECAUSE, UNLIKE THE AUTO INDUSTRY,

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THEY WERE COMPOSED OF MANY PRODUCERS, WITH GREATLY DIFFERING FINANCIAL SITUATIONS. KOK, HOWEVER, WAS CONFIDENT THAT BOTH SYNDICATES WOULD WORK OUT A POSITION ON INCREASES AND AVOID STRIKES. HE RECOGNIZED THAT GRANTING WAGE INCREASES WOULD OBLIGE SOME FIRMS TO IMPROVE THEIR PRODUCTIVITY AND REORGANIZE THEIR FINANCES. IT MIGHT EVENTUALLY RESULT IN SOME CONSOLIDATION AMONG THE FIRMS. KOK PRAISED THE METALWORKERS UNION AND ITS PRESIDENT FOR THE WAY THE STRIKE WAS HANDLED.

4. IN KOK'S OPINION, SHARED BY THE CHIEF OF THE CABINET OF THE SAO PAULO STATE LABOR SECRETARIAT, THE DEMANDS FOR WAGE INCREASES WOULD SPREAD RAPIDLY. BOTH THOUGHT THAT ABOUT 400,000 WORKERS WOULD RECEIVE INCREASES BY THE END OF
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JULY. BOTH ALSO AGREED THAT THE DEMANDS FOR WAGE INCREASES WOULD SPREAD TO OTHER ADVANCED INDUSTRIES, SUCH AS PETROLEUM, CHEMICALS, STEEL, AND SHIPBUILDING. THE CHIEF OF THE CABINET OF THE LABOR SECRETARIAT SPECULATED

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AID-05 COME-00 EB-08 FRB-03 TRSE-00 XMB-02
OPIC-03 LAB-04 SIL-01 OMB-01 AGRE-00 DOE-15 SOE-02
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R 071230Z JUN 78
FM AMCONSUL SAO PAULO
TO SECSTATE WASHDC 8569
INFO AMEMBASSY BRASILIA
AMCONSUL RIO DE JANEIRO

C O N F I D E N T I A L SECTION 2 OF 2 SAO PAULO 1636

THAT BANKWORKERS, BECAUSE THEY ARE SO HIGHLY ORGANIZED

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AND BECAUSE BANKS ARE SO PROFITABLE, ARE ALSO AN
OBVIOUS TARGET FOR STRIKE ACTION. HE STATED THAT UP
TO 10 MILLION WORKERS --OUT OF A TOTAL WORK FORCE OF
ABOUT 17 MILLION -- COULD BEGIN TO SEEK INCREASES
THROUGH COLLECTIVE BARGAINING. "IN EFFECT," HE STATED,
"THE WORKERS CHANGED ON THE GROUND THE LAWS GOVERNING
COLLECTIVE BARGAINING AND THE RIGHT TO STRIKE." THE
LABOR MINISTRY, HOWEVER, DOES NOT APPEAR TO HAVE GIVEN
UP THE DESIRE TO REGULATE CLOSELY UNION ACTIVITY.
MINISTRY SPOKESMEN HAVE ADMITTED THAT DIRECT EMPLOYEE-
EMPLOYER NEGOTIATIONS ARE GOOD IN PRINCIPLE AS LONG AS
AGREEMENTS ARE NOT INFLATIONARY. THEY ALSO ADMIT THAT
RIGHT TO STRIKE LEGISLATION COULD BE "PERFECTED".
ALTHOUGH THE GOVERNMENT HAS ACCEPTED THE STRIKE-PROVOKED
WAGE INCREASES IN PRACTICE, THE GOVERNMENT HAS NOT
CONDONED THE PRINCIPLE.

5. ATTENTION IS NOW TURNING TO THE ECONOMIC EFFECTS OF
THE STRIKE. KOK STATED THAT ABIMAQ, ASSUMING THAT WAGE
INCREASES WILL COVER ABOUT 400,000 WORKERS, ESTIMATES
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THAT THEY WILL RESULT IN ONE OR TWO PERCENTAGE POINTS OF
ADDITIONAL INFLATION. THE STATE LABOR SECRETARIAT AGREES,
WITH BOTH, HOWEVER, INCLINED TOWARD THE LAWER END OF
THE RANGE DUE TO THE LOW COST OF LABOR IN THE FINAL
PRODUCTS IN THE INDUSTRIES AFFECTED (FROM ABOUT 10 PER-
CENT IN AUTO MANUFACTURING TO 30 PERCENT IN AUTO PARTS)
AND TO THE POSSIBILITIES OF PRODUCTIVITY INCREASES. O
ESTADO DE SAO PAULO NOTED EDITORIALLY THAT THE WORKERS
HAVE BEGUN A PROGRAM TO REDISTRIBUTE INCOME SINCE THE
GOVERNMENT HAS SHOWN ITSELF INCAPABLE OF DOING SO. LULA,
PRESIDENT OF TE SAO BERNARDO METALWORKERS, COMMENTED ON
THIS POINT IN AN INTERVIEW PUBLISHED IN VEJA MAGAZINE
JUNE 7. ASKED WHETHER HE DID NOT THINK THAT BRAZILIAN
OWNED FIRMS (AS OPPOSED TO MULTINATIONALS) SHOULD RECEIVE
SPECIAL TREATMENT, HE REPLIED: "I DO NOT THINK SO, BE-
CAUSE THE WORKER'S PROBLEM IS SALARY. SOMETIMES ONE
CAN SEE THAT A FIRM IS IN THE RED, BUT IT HAS INVESTED
A GREAT DEAL THAT YAR. AND IT INVESTED BECAUSE IT
EARNED (SUFFICIENTLY) THE YEAR BEFORE. THEN IT
SHOULD HAVE INVESTED A LITTLE IN THE MAN, IN SALARY."
(LULA ALSO STATED TO VEJA THAT THE UNIONS LEARNED THAT
EMPLOYERS ONLY NEGOTIATE UNDER PRESSURE.) SOME ECONOMISTS
HAVE ALSO SPECULATED THAT THE PAYCHECK INCREASES EVERY TWO
MONTHS WILL BOOST CONSUMER SPENDING IN SAO PAULO. IT WILL
BE SEVERAL MONTHS BEFORE THE EXTENT OF WAGE INCREASES AND
THEIR EFFECT ON THE ECONOMY ARE KNOWN, BUT THERE IS
GENERAL AGREEMENT AMONG LABOR, BUSINESS AND STATE
GOVERNMENT SOURCES THAT LABOR UNIONS WILL CONTINUE TO

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STRIKE AND BARGAIN COLLECTIVELY FOR THEIR WAGE DEMANDS.
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